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AUTHOR Vandewalle, Diederik
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ABSTRACT

As exporters of oil in the Middle East and throughout the world, the United Arab Emirates (UAE) must address the following challenges in the area of development and economic growth: (1) an increasingly integrated world economy in which technology and knowledge will be paramount; (2) the need to diversify its economy from a natural resource-based economy that will inevitably decline in the century ahead; and (3) the challenge of keeping the state as a political community relevant to its citizens. An examination of the UAE's situation against the backdrop of economic growth and educational issues in small countries such as Morocco, Indonesia, Malaysia, Yemen, and Singapore reveals that the responses of societies in countries with hydrocarbon-based economies to inflows of revenues are much more complicated and diversified than many authors have previously argued. The examination further reveals that, for states such as the UAE, a viable economic future is a race against time that can only be won with an integrated triangle consisting of educational policies, state actions, and maximization of economic opportunities. The key to the UAE's future depends on continued development and maintenance of a knowledge-based economy and continual reappraisal of the fundamental and traditional relationship between work, learning, and education. (MN)

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Crossroads of the New Millennium

Higher Education And Development In Arab Oil Exporters: The UAE In Comparative Perspective

Prepared and Presented

By

Dr. Diederik Vandewalle

Associate Professor of Government

Dartmouth College

email : Diederik.Vandewalle@Dartmouth.EDU

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Seminar

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A. Bellingsley

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Higher Education and Development in Arab Oil Exporters: The UAE in Comparative Perspective

As all oil exporters in the Middle East, North Africa and throughout the world, the United Arab Emirates faces several dilemmas for its development and economic growth beyond the end of this millennium: (a) an increasingly integrated world economy in which technology and knowledge will be of paramount importance; (b) the challenge to diversify its economy from a natural resource-based economy that will inevitably decline in the century ahead; and (c) the challenge of keeping the state as a political community relevant to its citizens.

This paper suggests ways in which these difficult, and often seemingly contradictory, tendencies can be reconciled in ways that promote the long-term economic, educational and cultural/social interests of the U.A.E. Although several studies in the past have concluded that Arab oil exporters face insurmountable challenges in meeting these tendencies, this paper presents a more optimistic evaluation and argues that the United Arab Emirates can continue and expand making those appropriate investments in its educational system that will allow it to achieve economic diversification, to retain its economic well-being, and to foster a sense of national community among its citizens.

The basic assumption of this paper is that the appropriate educational policies, much like appropriate economic policies, can create comparative "niche" advantages in the changing world economy for small states like the U.A.E.--that can, in turn, guarantee a smoother transition toward a post hydrocarbon-based economy.

The basis for such an ultimately profound transformation—tailoring the United Arab Emirates' future workforce, economy, and citizens to a globalised economy—is outlined below. In essence, I argue that what is needed for the United Arab Emirates is a flexible set of educational policies that combine a more traditional technological education (already largely in place) with a more widespread curriculum centred around business administration (partly in place) and humanistic/social scientific approaches (partly in pace but separated from other aspects of education): technological education to assure that the country's citizens can control that part of the national economy that will dominate the economic landscape for the foreseeable future; business administration to assure the continuity of managing the technical capacity to competitively run such an oil-based and post oil-based economy in

which other centres of world oil production and financial intermediation will come on-line; and, finally, a humanistic education that will help create and nurture generations of citizens whose sense of loyalty, nationalism and dedication to the country centre around the political and cultural institutions of the United Arab Emirates.

BACKGROUND TO THE DEBATE ABOUT DEVELOPMENT IN HYDROCARBON ECONOMIES

Since development economics emerged as a distinct discipline, both economists and political economists have studied the impact of large and sudden capital inflows on Third World countries, and on hydrocarbon economies in particular. With almost no exceptions, their analyses and prognoses have been uniformly pessimistic. Economists have focused on the so-called "Dutch Disease" to explain the impact of economic booms: rapid increases in capital inflows bring about a highly inefficient reallocation of resources during the boom, and difficulties in adjusting during the following bust period.[1] Labour and capital flow from tradables into the nontradable sector, leading to de-industrialisation and contraction of the agricultural sector. Using standard trade theory, economists have argued that strong macroeconomic management—fiscal, monetary, trade and exchange rate policies—was needed to avoid these deleterious developments. But, until very recently[2] and although sensitive to the political costs their prescriptions entailed and obviously aware of the importance of local economic institutions to implement macroeconomic policies, they did not address the crucial issue of why some countries were willing and able to adopt these policies, while others were not.

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[1] Corden, Max (1984), "Booming Sector and Dutch Disease. Economic survey and Consolidations," Oxford Economic Papers, Vol.36,3; Roemer, Michael (1983), Dutch Disease in Developing Countries (Cambridge: Harvard Institute for International Development Paper, #156).

[2] Little, Ian, Richard N. Cooper, W. Max Corden and Sarath Rajapatirana (1993), Boom, Crisis, and Adjustment. The Macroeconomic Experience of Developing Countries (New York: Oxford University Press for the World Bank).

Political scientists have explained the same phenomenon in two distinct ways. Some,[3] and particularly those concentrating on the Middle East,[4] have argued that resource booms create rent-seeking societies without, however, clearly specifying how these interests are articulated or institutionalised, or how they promote or slow down institutional development. Comparative political economists in general have been sceptical of constructing theories of economic adjustment across cultural boundaries. They contend that since this cultural setting is subject to constant change, individuals or groups do not express long-term strategic behaviour within institutional settings. Not surprisingly, therefore, most "regional" investigations of the impact of resource booms have been single case studies, and the few that were truly comparative were restricted to a single region.[5] Although I accept that elements of these interpretivist and cultural approaches can help elucidate the context and the process within which economic responses to resource booms in countries like the United Arab Emirates take place, I discount them as determining that process

A second group of political scientists has been more sensitive to the role of economic and political institutions in particularly hydrocarbon societies, but has generally restricted itself to observing that resource booms create certain types of (primarily distributive) institutions—meant to provide patronage by dividing the state's burgeoning income through subsidies, interest-free loans and hand-outs—at the expense of extractive and regulatory ones, traditionally used to tax and to implement welfare policies.[6] These studies argue that the result of "boom behaviour" is contradictory: although the state seemingly gains in power,

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[3] Karl, Terry (1997), The Paradox of Plenty: Oil Booms and Petrostates (Berkeley: University of California Press); Skocpol, Theda (1982), "Rentier State and Shi'a Islam in the Iranian Revolution" Theory and Society Vol. 11, 3.

[4] Mahdavy, Hossein (1970), "The Patterns and Problems of Economic Development in Rentier States: The Case of Iran," in M.A. Cook, Studies in the Economic History of the Middle East from the Rise of Islam to the Present Day (Oxford: Oxford University Press); Beblawi, Hazem and Giacomo Luciani eds. (1987), The Rentier State (New York: Croom Helm).

[5] Chaudhry, Kiren (1997), The Price of Wealth (Ithaca: Cornell University Press).

[6] Anderson, Lisa (1986), The State and Social Transformation in Tunisia and Libya, 1830-1980 (Princeton: Princeton University Press); Vandewalle, Dirk (1998), Libya Since Independence: Oil and State-building (Ithaca: Cornell University Press).

resource booms systematically undercut states' long-term ability to regulate local economies as economic decisions increasingly reflect political objectives—primarily the need to provide sustained patronage. The resulting lack of consistent regulation ultimately makes effective macroeconomic management and long-term development impossible as the institutions in charge become highly politicised and lose their autonomy.

In an ongoing study that investigates economic growth and educational issues in Morocco, Indonesia, Malaysia, Yemen and Singapore, I argue that these assumptions and findings do not necessarily hold in all cases, and that responses of particularly hydrocarbon societies to inflows of revenues are much more complicated and diversified than many authors have previously argued. In particular, based on management studies undertaken in countries outside the Middle East, I would argue:

- The nature and varying characteristics of the resource boom—oil in the case of the United Arab Emirates and most other Middle East and North Africa (MENA) countries—alone are not sufficient to explain why some countries nurture macroeconomic institutions and promote long-term economic growth while others adopt a wasteful "potlatch" mentality.

- Contrary to what has been argued, the type of political regime has little impact on whether or not macroeconomic institutions or efficient economic growth proceed, or are at least protected from persistent political interference. Some modern authoritarian states are not better at insulating those institutions than more open and/or traditional political regimes that are normally seen as sacrificing long-term economic efficiency for more immediate political gains while others, like Indonesia, manage to create and sustain high levels of autonomy.

- The specific type of resource boom and the degree to which their revenues accrue directly to the state or not provide few clues to the state's ability to create autonomous macroeconomic institutions. Where remittances provided the bulk of revenues, as in Yemen, macroeconomic management proceeded. In Nigeria, where oil and natural gas revenues flowed directly and exclusively to state coffers, it failed dramatically. In Indonesia, under roughly similar circumstances, it did not: the government promoted the autonomy of macroeconomic policy institutions and maintained economic growth after the 1973 Pertamina scandal.

- Although "thick description" remains necessary to understand the cultural background in which macroeconomic institutions emerge, cultural explanations of economic development do not adequately convey the varying and changing roles of those institutions in that process. There is, however, an important cultural factor—education and the creation of a sense of citizenship related to it—that intricately links culture to development. Indeed, in most of the so-called "developmental states" in Southeast Asia, the link between education--and more particularly the role the state plays in intermediating between the local society and the country's economy through its educational system—and development itself is much more subtle and multi-layered than previously acknowledged.

A FRAMEWORK OF ANALYSIS: EDUCATION, DEVELOPMENT AND STATE ACTION

My primary interests for the purpose of this paper and conference converge around two distinct questions:

- How do states compete in a rapidly changing international economy where traditional factors of endowment no longer automatically provide a comparative advantage?
- How can states—particularly economically vulnerable states, such as those based on hydrocarbons--maximise their chances in a world economy where they are primarily receivers/consumers of trade and technology and not its producers?

In answering both questions—and in identifying the role education and the state play in this process—it is necessary at the outset to emphasise the potential weaknesses of countries like the United Arab Emirates: they have a particular vulnerability because of

a) the nature of their economies;
b) the size of their economies in a world economy where size and related efficiency still matter; and
c) their relative inability to affect the governing mechanisms and institutions of that changing world economy.

In effect, my argument is that for states like the United Arab Emirates, a viable economic future is both a real race against time that can only be won if an integrated triangle consisting of educational policies, state actions and the maximisation of economic opportunities are pursued. This "iron triangle"—to use the economists' and sociologists' language—can provide to countries like the United Arab Emirates a viable "window of opportunity" during which it can create for itself a "niche" in an international, globalised economy. The

challenge is to get from a resource-rich, capital-rich economy, with a good educational system and a government that has understood the challenge both development and its link to education pose, toward an economy that is nimble enough to identify far into the future—and furthermore on a continuous basis--trends, difficulties, and opportunities for creating a specialised position in that globalised economy. In other words, I perceive, in the United Arab Emirates, all three essential legs of the triangle in place (see particularly the Appendixes to this paper which compare the social, economic and educational indicators of roughly similar small oil exporters in MENA and, for comparison purposes, Singapore, a so-called developmental state.)

The challenge therefore becomes both somewhat more limited, more narrow, but also, ultimately, somewhat more difficult: to integrate those existing legs into a mutually supportive triangle. Furthermore, this challenge as I analyse it is not purely technical or even overwhelmingly economic (although both remain very important), but includes a whole host of human (indeed humanistic) and societal challenges that need to be more fully addressed.

After almost half a century of development economics, it is by almost a cliché by now to repeat that human capital constitutes one of the crucial sources in the developmental future of nations.[7] As Nobel laureate Gary Becker wrote, "research in recent years has increasingly appreciated that both economic growth and inequality are closely dependent on investments in different forms of human capital"[8].

In all countries, but particularly in non-western developing countries, education has become the prime vehicle for social stratification—and general awareness of this has been part and parcel of politics in these countries. An additional issue in countries like the United Arab Emirates is that, because of state spending and the centrally accruing nature of resources, the state itself, rather than individual groups, are able to influence this social stratification. Thus

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[7] For a more recent contribution to the literature, focused particularly on the United States, see Robert B. Reich (1991), The Work of Nations; Preparing Ourselves for 21st Century Capitalism (New Yokr: Alfred A. Knopf) . One of the by now classic works is by Nobel prize winner Gary S. Becker (1993, third edition), Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education. Notice that Becker's first edition was published in 1964, almost four decades ago.

[8] Becker, 255

education, and access to education, ultimately becomes a powerful political issue if it is perceived as discriminatory. But it can equally be perceived, and used by the state, as a deliberate mechanism to foster growth, equity and greater equality, in ways that resonate with the Arab and Muslim legacy of its culture.

The danger to countries like the United Arab Emirates therefore is not, I believe, as some observers would have it, that the state will become irrelevant in its totality.9 It is rather that states are already selectively losing control over aspects of their economies within the global economy10 which, in turn, could have important social and political implications that need to be in place as part of the "iron triangle."

This greater integration of the international economy necessitates as well greater porousness of educational systems to create what Robert Reich has called Symbolic Analysts—cadres of young people, armed with highly developed symbolic-analytic skills necessary to run information-driven economies.11 As Reich abundantly implies, these type of communities, for numerous reasons, will remain the most developed in the West, particularly the United States, and—an important political implications for countries like the United Arab Emirates to consider--access to these communities will remain crucial to all other states interested in retaining a competitive edge. The result is that the pursuit of this particular strategy carries with it very important implications for openness, for intercultural contact and, almost

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[9] The literature on globalisation is by now endless. Among this plethora, see William Greider (1997), One World, Ready Or Not; The Manic Logic of Global Capitalism (New York: Simon and Schuster) and Jerry Mander and Edward Goldsmith eds., (1996), The Case Against The Global Economy And For A Turn Toward The Local (San Francisco: Sierra Club Books). Among some of the more apocalyptic scenarios of what globalisation could mean—and why it is bound ultimately to fail—see John Gray 1998), False Dawn (London: Granta Books). For a trenchant critique of Gray's book, see Razeen Sally, "XXXXXX"

[10] See Peter Dickens (1998), Global Shift: Transforming the World Economy Global Shift: Transforming the World Economy (New York: The Guilford Press), and, in a more liberal vein, World Bank (2000), Entering the 21st Century: World Development Report 1999-2000 (Washington: The World Bank) and World Bank (1997), Global Economic Prospects and the Developing Countries (Washington: The World Bank).

[11] Reich, 225-240.

inevitable, for questioning local cultural and social restrictions that prevent the implementation of a purely technocratically-based pursuit of an economic strategy.

In the last few years, education experts as well as economists, sociologists and political scientists have started to pay increasing attention to knowledge-based factors that can create comparative advantages in the global economy for local economies, considering the growing importance of technology itself, of business processes, of information, of quality control, and of creating corporate responsibility and corporate competence. All these processes are part of what can more structurally be called the emergence of knowledge capitalism.12

It is ironic that, despite this new awareness, knowledge remains one of the most undervalued of all economic resources. What is even more ironic is that even those who stress knowledge acquisition often see as a neutral-free process, whose adoption or pursuit does not need to be coordinated with the aspirations of local societies and their governments. After extensive research and inquiries about the Asian Miracle—where the success of development strategies hinged crucially on states being "developmental", i.e. local states "embedding" themselves within local societies in ways that helped promote initially efficient and advantageous development strategies—much of these lessons were seemingly lost when the Asian Crisis emerged.13

In a world where regions and even individual cities can create comparative advantages for themselves with the correct mix of local initiative and state support—think of the electronic industry in Bangalore and the emergence of a host of "technopolises" around the world—it is clear that economic and development processes have dramatically been altered in the last few decades. But the underlying processes of development within these individualised cities and

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[12] Alan Burton-Jones (1999), Knowledge Capitalism: Business, Work, and Learning the New Economy (Oxford University Press).

[13] Among an enormous literature on the emergence and crisis of the Asian developmental model, see Alice Amsden, Alice (1997), Asia's Next Giant: South Korea and Late Industrialisation; Wade, Robert (1994 Governing the Market: Economic Theory and the Role of Government in East Asian Industrialisation; Jomo, K.S. (1990), Growth and structural change in the Malaysian economy (New York: St. Martin's Press). For the notion of "embedded" development, see Peter Evans (1995), Embedded Autonomy: States and Industrial Transformation (Princeton University Press).

regions, or within smaller city-states like Singapore and Hong Kong (although the latter's experience is certainly not transferable as whole cloth to the United Arab Emirates), carry important lessons for (a) what possible strategies to pursue and (b) what to avoid.

Economic development therefore, more than ever before, carries with it an internalised as well as an externalised dimension that particularly smaller countries like the UAE and other oil exporters must pursue. A crucial dimension of both processes will be flexibility, knowledge, accurate forecasting, lifelong learning, and a sophisticated pool of local citizens—and all these must be based on an underlying consensus within each state of what development should look like, and what particular kind of social contract with its citizens the state wants to maintain.

The central issue in this paper therefore is what combination of knowledge-based and more materially and culturally based combination of development will yield the greatest benefits for the United Arab Emirates and its citizens. The terrain it covers is necessarily broad—although it encompasses more specific suggestions—and involves a synthesis of concepts and ideas generated and discussed within several disciplines.

Perhaps a take-off for the discussion can be one of the sentences taken from the TEND conference brochure prepared for this conference: ""Students are seeking training, which will improve their competitive edge when they enter the work-force." It immediately raises a number of affiliated questions that put the sentence into context: What students are we talking about? What training will improve their competitive edge? And, perhaps most importantly, what will the work force look like when they enter it? One could add a number of equally valid questions beyond those: What will constitute a competitive edge? A competitive edge for what? How do you create a "niche," a comparative advantage, as a small oil exporter in a global economy over which you have little control?

These kinds of questions have engendered an impassioned debate in the West and in several of the Newly Industrialising Countries. Let me for the conference's purposes suggest, by way of background, one way of analysing the ongoing changes in the world economy since the late 1980s. Most of them can be categorised into a fourfold, "quadruple transition" that is

underpinned by a new "information technology paradigm"[14] First, a transition from regimes of accumulation based on mass production to more flexible forms of production, scope economies, innovation rents, and differentiated patterns of consumption (i.e. a shift away from what is known as a Fordist economic system).[15] Second, within industrial sectors, a transition from basic manufacturing to new information and high technology industries. Third, a shift from a manufacturing-based industrial society into a service or "post-industrial" society. Fourth, a transition from an international to a globalising economy that functions along electronically-integrated, intra- and inter-form networks and alliances.

More important for our discussion these fundamental changes have been underpinned by the development of new modes of regulation in the international economy. The Keynesian welfare state—although its variant is still present in Malaysia, and in some form in other developmental states—with its promotion of full employment (through demand management and new forms of collective consumption) is now giving way to the so-called "competition state" that is oriented toward improving the conditions of supply in a national economy, in order to make it an attractive site for investing financial and productive capital "Such institutions and policies help to promote product, process, organisational, and market innovation and to enhance the structural competitiveness of the economy, while subordinating welfare policy to the demands of competitiveness and labour market flexibility."[16]

What is clear from this discussion is that appropriate educational policies are assumed to be in place—that every nation can move toward its own appropriate "niche" and where the state emerges in a role somewhere halfway between the Keynesian interventionist and the post-

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[14] See, in particular, Manuel Castell (1996), The Rise of the Network Society (Cambridge: Blackwell Publishers)

[15] See the essays in Ash Amin, ed., (1984), Post-Fordism: A Reader (Cambridge: Blackwell)

[16] I want to thank my colleague James Shoch here whose ideas have been instrumental in making me think through some of the implications of post-Fordism for individual countries like the UAE. The quote is from his forthcoming book, Party Politics and Trade Policy: The US Since 1980 (University of North Carolina, 2001). For a further elaboration of the notion of the competition state, see Bob Jessop, "Towards a Schumpeterian Workforce State? Preliminary Remarks on Post-Fordist Political Economy," Studies in Political Economy, No. 40, Spring 1993, pp. 7-39.

Fordist hands-off rational actor. In most countries, however, these assumptions do not hold. Countries like the United Arab Emirates must worry about creating long-term competitive advantages, since in the short term they cannot really affect how "competitive" they are (except through a cartel action that temporarily delivers more money and alleviates the problem).

One crucial dimension—beyond the purely economic—concerns the role of the state therefore in the "iron triangle I drew before: economic growth (based on technology and a knowledge-based economy); the notion of citizenship (and challenges to that sense of citizenship through globalisation that diminishes a sense of identity); and, finally, the state itself which must face up to a changing relevance and attractiveness among its citizens. One of the crucial dilemmas of this new, globalising economy will be the dilemma of competing loyalties: citizen versus the state, the state versus globalised markets and the pursuit of a purely "technologised" education versus a more traditional and humanistic tradition that resonates both within the culture of the United Arab Emirates and within the more global context in which its economy operates.

This, in part, will demand a great deal of creativity by the state's managers. Not only to worry about the economic viability of the state in a future setting, but also to install into its citizens a sense of relevance and attractiveness for the state itself. This is a difficult for any state: the concept of not only creating "homo economicus" or a well-educated citizen, but also to create a citizen who truly feels s/he belongs to the nation in ways that go beyond purely economic interests. Education and good stewardship in this regard go hand in hand--and the United Arab Emirates, during this relatively early period of its existence as a state, has constituted a good example that a combination of both sets of policies is policies. But further on the horizon are the questions posed by the emergence of the "competition state" that will inevitably challenge some of those achievements. Education therefore, in a broad, humanistic sense, will, in addition to its more narrow technical sense, be a crucial dimension and measure of how far along the United Arab Emirates will move toward that newly emerging economic reality. While there is no reason to be alarmist—on the contrary—the globalising economy and the structures it imposes on individual countries like the U.A.E. bears paying close attention to.

CONCLUSION

Like other oil exporters where economic activity is almost necessarily restricted to specific economic tasks in the international economy, and where the source of state revenues is a finite resource, the UAE's economic future will be tied to the continued development and maintenance of a knowledge-based economy. This type of economy demands that the fundamental and traditional relationship between work, learning and education be constantly re-appraised, and necessitates the creation of coalitions between local economic productivity, the country's educational organisations and the state itself. This triangle of interlocking elements must be subject to constant and flexible arrangements that simultaneously meet the expectations of the country's citizens and allows for a social contract that fully incorporates those citizens in the operation of both state and economy.

As detailed in this paper, these types of flexible and constantly changing arrangements are difficult to implement, even in developed and so-called developmental economies where the state has consciously created links that allow it to become embedded within local societies while promoting economic strategies that reflect national objectives and are capable of retaining the strong social cohesive ties that make for developmental states.

As a small economy and an oil exporter, the UAE has already made substantial steps in its short history to meet some of these challenges. As made clear in the Appendices, the country compares favourably against many similarly sized economies in the region. But, as the implicit comparison to Singapore makes clear, the real challenge is to create a diversity of economic life, and a supporting technological, educational, social and cultural structure that allows the UAE to even more fully emerge as a different type of developmental state for a very different international economic system in the future. I would summarise those challenges briefly as follows:

1. To ascertain that the state remains relevant beyond distributive largesse; indeed, to ascertain that the perception of the state as ultimate provider of economic activity disappears.
2. To clearly discern and pursue appropriate economic objectives within the narrow economic activities that are possible and available.

3. To create an educational system and educational opportunities that both maximise chances at economic success and are instrumental in creating citizens that meet the educational and socio-cultural criteria necessary to provide meaningful employment.
4. To create, within one of the appropriate government ministries—or as a separate organisation—an institution that fully plans for the country's future, not only in the strict economic sense but also in the broader, more inclusive sense of an economic/social/cultural community.

The challenge of education therefore in the UAE, as in all countries, but particularly those that are potentially particularly vulnerable because of their relative size or the non-diversified origin of their income, is a multidimensional challenge: the problems of education itself to meet the goals of the local economy into the future; the challenge of educating the state to flexibly respond and initiate proposals and policies that maximise the UAE's chance at sustained development; and the problem of pursuing both within a climate that maintains and strengthens the national sense of identity among its citizens. Faced with these challenges, the UAE faces no particularly difficult or insurmountable problems; how well it fares far into the future, however, will depend in large part on its skill and willingness to address those challenges simultaneously.